

**EMERY COUNTY RECREATION SPECIAL SERVICE DISTRICT**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

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# Kimball & Roberts

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*Phone 896-6488*

## INDEPENDENT AUDITOR'S REPORT

The Honorable Board Members  
Emery County Recreation Special Service District  
Castle Dale, Utah 84513

We have audited the accompanying financial statements of the governmental activities of Emery County Recreation Special Service District, a component unit of Emery County, as of and for the year ended December 31, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Emery County Recreation Special Service District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the government activities of Emery County Recreation Special Service District as of December 31, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2006, on our consideration of Emery County Recreation Special Service District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 4 through 7 and 25 through 26, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Kimball & Roberts*

KIMBALL & ROBERTS, P. C.  
Certified Public Accountants

May 22, 2006  
Richfield, Utah

## **Emery County Recreation Special Service District Management's Discussion and Analysis**

The discussion and analysis of Emery County Recreation Special Service District, or the "District" financial performance provides an overview of the District's financial activities for the year ending December 31, 2005. This report is in conjunction with the District's financial statements, which are part of this report.

The purpose of the Emery County Recreation Special Service District is to construct improvements for recreation and to provide recreational facilities for the residents of Emery County.

### **Financial Highlights:**

- The Emery County Recreation Special Service District owns one fixed asset a recreation center which includes their office, it is shown on the balance sheet at cost and will be depreciated over a forty year life using straight-line depreciation.
- At the close of the current year, the District reported Net Assets of \$318,482 of which \$16,800 is reserved for bond retirement. It has Revenue Bonds payable of \$126,000, of which \$21,000 is due and payable in the next year.
- The District's revenue had decreased steadily in prior years due to two factors; 1) Coal production reported to Minerals Management Services has decreased 30% in the last few years due to a mine shutdown and other unknown reasons. Mineral lease payments are based on coal production from mines on State and Federal lands. The lease revenue is calculated by Mineral Lease Management System. 2) The Special Districts also receive lease revenues on gas production on State and Federal lands. In 2004 & 2005 total mineral lease allocations from the State increased. See the following graph which clearly demonstrates the change in revenues.
- Expenditures for the current year total \$461,861 up 10% from last year. Contributions decreased from \$174,796 in 2004 to \$88,261 in 2005 due to reduced projects. The District has two employees, a secretary and a director. The director is salaried and the secretary is hourly. Total wages and benefits for the current year were 19% of total expenditures of the District. Professional rodeo costs were 15% of total expenditures and debt service was 4% of total expenditures.

### **Using This Annual Report**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Emery County Recreation Special Service District as a whole and presents a longer-term view of the District's finances.

### **Government-wide financial statements**

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with a difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

# **Emery County Recreation Special Service District Management's Discussion and Analysis**

## **Government-wide financial statements-continued.**

The statement of activities present information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

## **Governmental Funds:**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balance of spendable resources available at the end of the year.

The district has one governmental fund, the general fund. The general fund has unreserved fund balance of \$84,782, which is available to creditors and for use in future years budgets. Unreserved fund balance is 18% of total expenditures in the general fund.

## **Reporting the District as a Whole**

The District realizes revenues from several sources; 1) mineral lease revenues received from the State of Utah, 2) charges for services, 3) revenue from a professional rodeo event sponsored each year, 4) interest earned on invested funds and 5) other sundry revenues.

## **Contacting the District**

This financial report is designed to provide the citizens with a general overview of the District's finances and to show accountability for the money it receives. If you have questions about his report or need additional financial information, contact Chairman, Jim Jones, P.O. Box 907, Castle Dale, UT 84513.

## **Condensed Financial Statements:**

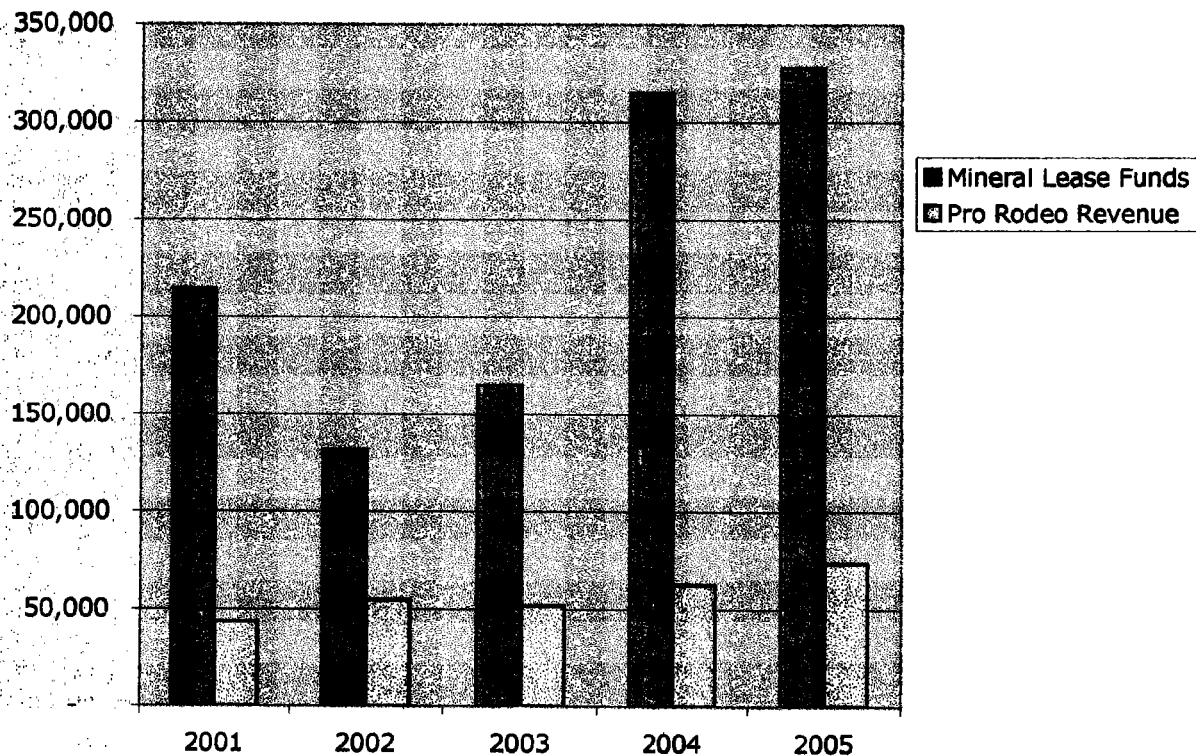
A comparative analysis will be provided in future years when prior year information is available.

	2005	2004		2005	2004
<b>Assets:</b>			<b>Revenues:</b>		
Current	93,131	60,344	Charges for Services	92,737	78,840
Non-Current	359,700	365,725	Operating Grants	407,809	397,474
Total Assets	452,831	426,069	General Revenues	3,897	1,414
			Total Revenues	504,443	477,728
<b>Liabilities:</b>			<b>Expenditures:</b>		
Current	29,349	24,170	Current	452,335	409,037
Long-Term	105,000	126,000	Depreciation	9,525	9,525
Total Liabilities	134,349	150,170	Total Expenditures	461,860	418,562
<b>Net Assets:</b>					
Restricted	16,800	13,300	Change in Net Assets	42,583	59,166
Unrestricted	301,682	262,599	Beginning Net Assets	275,899	216,733
Net Assets	318,482	275,899	Ending Net Assets	318,482	275,899

**Emery County Recreation Special Service District  
Revenue - Five Year Comparison**

	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
Mineral Lease Funds	214,236	131,519	164,693	314,908	328,046
CIB Grant					79,763
Pro Rodeo Revenue	43,367	54,701	51,769	62,407	73,973
Charges For Services	5,827	7,865	13,481	13,481	18,694
Sundry	2,980	3,628	45	2,952	70
Investment Earnings	5,785	510	316	1,414	3,897
<b>Total</b>	<b>272,195</b>	<b>198,223</b>	<b>230,304</b>	<b>395,162</b>	<b>504,443</b>

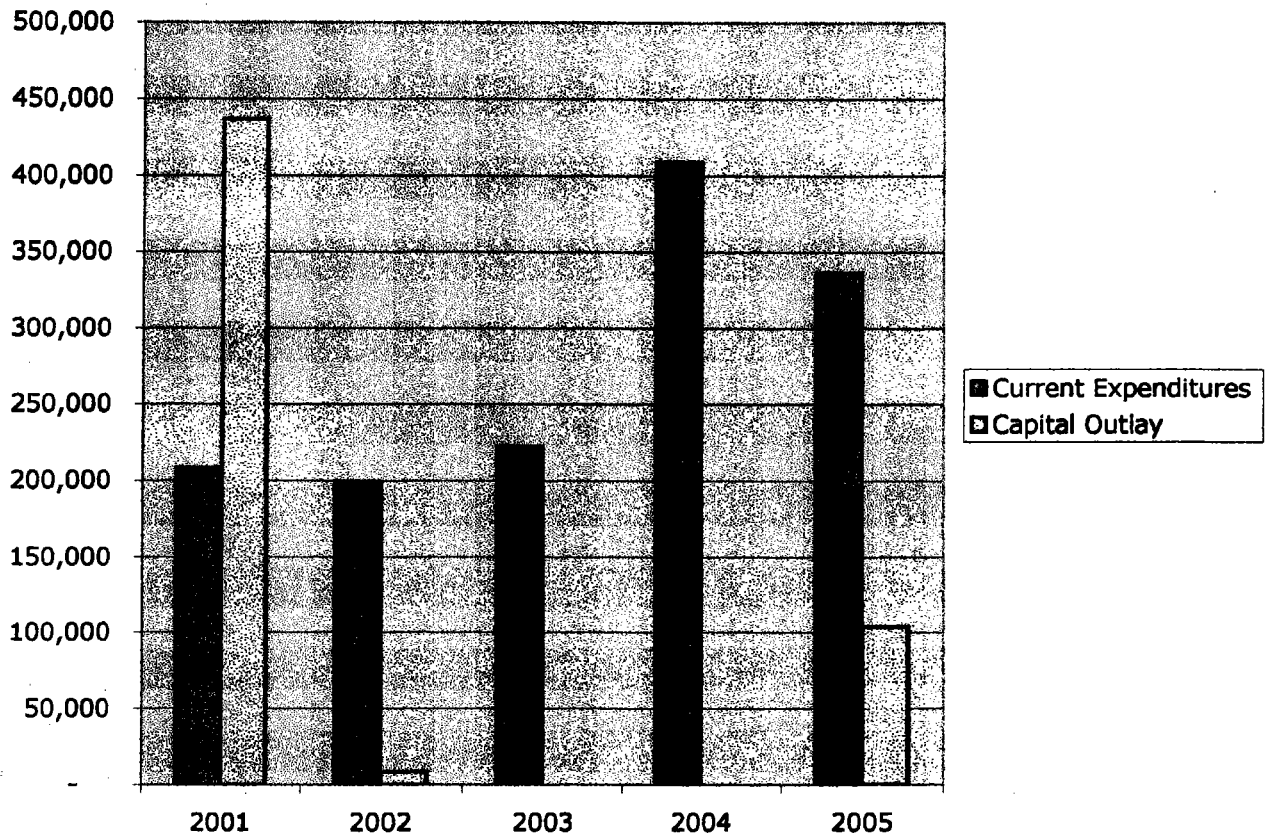
**Mineral Lease Funds & Pro Rodeo Revenues**



**Emery County Recreation Special Service District  
Expenditures - Five Year Comparison**

	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
Current Expenditures	208,457	199,954	222,786	409,037	336,814
Debt Service		21,000	21,000	21,000	21,000
Capital Outlay	436,631	8,320	-	-	104,046
<b>Total</b>	<b>645,088</b>	<b>229,274</b>	<b>243,786</b>	<b>430,037</b>	<b>461,860</b>

**Current Expenditures & Capital Outlay**



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is used to assist in formatting, for easier reading)



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# **BASIC FINANCIAL STATEMENTS**

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**EMERY COUNTY RECREATION SPECIAL SERVICE DISTRICT  
STATEMENT OF NET ASSETS**

**December 31, 2005**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets:	
Cash and Investments	<u>93,131</u>
Noncurrent Assets:	
Restricted Cash	16,800
Capital Assets (Net of Accumulated Depreciation):	
Building	<u>342,900</u>
Total Noncurrent Assets	<u>359,700</u>
TOTAL ASSETS	<u>452,831</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	7,500
Accrued Liabilities	849
Bonds Payable - Due Within One Year	<u>21,000</u>
Total Current Liabilities	<u>29,349</u>
Noncurrent Liabilities:	
Bonds Payable - Due More Than One Year	<u>105,000</u>
TOTAL LIABILITIES	<u>134,349</u>
<b>NET ASSETS</b>	
Invested In Capital Assets, Net of Related Debt	216,900
Restricted for:	
Bond Retirement	16,800
Unrestricted	<u>84,782</u>
TOTAL NET ASSETS	<u>318,482</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>452,831</u></u>

The notes to the financial statements are an integral part of this statement.

**EMERY COUNTY RECREATION SPECIAL SERVICE DISTRICT  
STATEMENT OF ACTIVITIES**

**For The Year Ended December 31, 2005**

		Program Revenues		Net (Expense)
				Revenue and
				Changes in
				Net Assets
	Expenses	Charges for	Operating	Governmental
		Services	Grants/	Activities
			Contributions	
<b>Functions/Programs:</b>				
<b>Governmental Activities:</b>				
Parks and Recreation	<u>461,860</u>	<u>92,737</u>	<u>407,809</u>	<u>38,686</u>
<b>TOTAL REVENUES</b>	<u><u>461,860</u></u>	<u><u>92,737</u></u>	<u><u>407,809</u></u>	<u><u>38,686</u></u>
		<b>General Revenues:</b>		
		Unrestricted Investment Earnings		<u>3,897</u>
		Total General Revenues		<u>3,897</u>
		Changes in Net Assets		42,583
		Net Assets - Beginning		<u>275,899</u>
		Net Assets - Ending		<u><u>318,482</u></u>

The notes to the financial statements are an integral part of this statement.

**EMERY COUNTY RECREATION SPECIAL SERVICE DISTRICT  
BALANCE SHEET  
ALL FUND TYPES AND ACCOUNTS GROUPS**

**December 31, 2005**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and Investments:	
Unrestricted	93,131
Restricted:	
Bond Reserve	<u>16,800</u>
<b>TOTAL ASSETS</b>	<u><u>109,931</u></u>
<b>LIABILITIES AND FUND EQUITY</b>	
Liabilities:	
Accounts Payable	7,500
Accrued Liabilities	<u>849</u>
<b>Total Liabilities</b>	<u>8,349</u>
Fund Equity:	
Reserved:	
Bond Reserve	16,800
Unreserved	<u>84,782</u>
<b>Total Fund Equity</b>	<u>101,582</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u><u>109,931</u></u>

The notes to the financial statements are an integral part of this statement.

**EMERY COUNTY RECREATION SPECIAL SERVICE DISTRICT  
BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS**

**December 31, 2005**

Total Fund Balances - Governmental Fund Types	101,582
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Amounts reported for governmental activities in the statement of net assets  
are different because:

Capital assets used in governmental activities are not financial resources  
and, therefore, are not reported in the funds:

Building (Net of Depreciation)	342,900
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Long-term liabilities, including bonds payable, are not due and payable  
in the current period and, therefore, are not reported in the funds:

Revenue Bond Payable	<u>(126,000)</u>
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Net Assets of Government Activities	<u><u>318,482</u></u>
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**EMERY COUNTY RECREATION SPECIAL SERVICE DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND TYPE**

**For The Year Ended December 31, 2005**

	<u>General Fund</u>
<b>REVENUE</b>	
State Mineral Lease Payment	328,046
Charges for Services	18,694
Pro Rodeo Revenue	73,973
Other	70
Interest	<u>3,897</u>
<b>TOTAL REVENUES</b>	<u>424,680</u>
<b>EXPENDITURES</b>	
Current Expenditures:	
Salaries and Wages	59,401
Employee Benefits	28,356
Administrative Expenses	11,113
Office Expense	4,324
Supplies and Maintenance	21,524
Utilities	13,469
Professional Services	18,249
Insurance and Bonds	9,648
Pro Rodeo Costs	72,146
Miscellaneous	21,798
Contributions	46,370
County Projects	41,891
Capital Outlay	104,046
Debt Service	<u>21,000</u>
<b>TOTAL EXPENDITURES</b>	<u>473,335</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	(48,655)
<b>OTHER FINANCING SOURCES (USES)</b>	
Community Impact Board Grant	<u>79,763</u>
<b>EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	31,108
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>70,474</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><u>101,582</u></u>

The notes to the financial statements are an integral part of this statement.

**EMERY COUNTY RECREATION SPECIAL SERVICE DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

**For The Year Ended December 31, 2005**

Amounts reported for governmental activities in the statement of activities  
are different because:

Net Changes in Fund Balances - Total Governmental Funds	31,108
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Depreciation Expense	(9,525)
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The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Principal Payments on Bonds	<u>21,000</u>
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Changes In Net Assets of Governmental Activities	<u><u>42,583</u></u>
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**EMERY COUNTY RECREATION SPECIAL SERVICE DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**December 31, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Emery County Recreation Special Service District, a component unit of Emery County, was created January 8, 1992, by the adoption of a resolution to establish a special service district by the Emery County Commissioners for the purpose of the construction of improvements for recreation and to provide recreational facilities for the residents of Emery County.

The Special Service District's Administrative Control Board consists of twelve (12) members, nine of which represent the towns or cities which belong to the District and three (3) at large members appointed by the Commission. Five members are appointed to a two (2) year term and seven members are appointed to a four (4) year term.

**B. Government-Wide and Fund Financial Statements**

The Statement of Net Assets and the Statement of Activities display information about the District, the primary government, as a whole. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and accrual. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.



**EMERY COUNTY RECREATION SPECIAL SERVICE DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

State revenue sources and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government. The District's only fund is the General Fund

**D. Assets, Liabilities and Net Assets or Equity**

**Deposits and Investments:**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

**EMERY COUNTY RECREATION SPECIAL SERVICE DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets:**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Buildings

40 Years

**Long-Term Obligations:**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund Equity:**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

**EMERY COUNTY RECREATION SPECIAL SERVICE DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Use of Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2 - BUDGET PROCESS**

Emery County Recreation Special Service District has properly adopted required budgets for 2005. Changes to the adopted budget were properly made by resolution and public hearing of the County Commissioners.

The District follows the budgetary practices and procedures required by State law. These requirements are summarized as follows:

1. A formal budget is adopted by the District.
2. The budget is a complete financial plan that identifies all estimated revenues and all appropriations for expenditures for the year. The budget must balance - that is estimated revenues and expenditures must equal.
3. On or before November 1, the District Manager prepares a tentative budget and files it with the Board of Trustees.
4. The tentative budget is a public record and is available for public inspection for at least ten days prior to public hearings held to consider adoption of the budget.
5. Notice of the scheduled public hearing is published at least ten days prior to the meetings.
6. Public hearing are held on the tentatively adopted budget. Members of the public may comment on the budget and recommend changes to the Board of Trustees.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

**Deposits:**

At year-end, the carrying amount of the Special Service Districts deposits was \$3,872 and the bank balance was \$22,306. All of this amount was covered by federal depository insurance. Utah State statutes do not require deposits to be collateralized, however, financial institutions must be approved by the State Money Management Council.

**EMERY COUNTY RECREATION SPECIAL SERVICE DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2005**

**NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)**

Cash and investments as of December 31, 2005, consist of the following:

	<u>Fair Value</u>
Demand Deposits	3,872
Investments - PTIF	<u>106,059</u>
Total Cash and Investments	<u><u>109,931</u></u>

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

Governmental Activities - Unrestricted	93,131
Governmental Activities - Restricted	<u>16,800</u>
Total Cash and Investments	<u><u>109,931</u></u>

The Utah Money Management Act (UMMA) established specific requirements regarding deposits of public funds by public treasurers. UMMA requires that District funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

**EMERY COUNTY RECREATION SPECIAL SERVICE DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2005**

**NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)**

**Deposit and Investment Risk:**

The District maintains no investment policy containing any specific provisions intended to limit the District's exposure to interest rate risk, credit risk and concentration of credit risk other than that imposed by UMMA. The District's compliance with the provisions of UMMA addressed each of these risks.

**Interest Rate Risk:**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. All deposits and investment of the District are available immediately.

**Credit Risk:**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits. All of the District's demand deposits were covered by FDIC insurance.

Custodial credit risk for investment is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. This risk is addressed through the policy of investing excess monies only in State approved institutions.

**Concentration of Credit Risk:**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments. For the year ended December 31, 2005, the District had investments of \$106,059 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

**NOTE 4 - BOND RESERVES**

The bond documents for the \$210,000 CIB loan require monthly payments into a reserve fund for 72 months until the reserve reaches \$21,000. At year end the reserves were \$16,800.

**EMERY COUNTY RECREATION SPECIAL SERVICE DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2005**

**NOTE 5 - CAPITAL ASSETS**

Capital Assets activity for the year ended December 31, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital Assets Being Depreciated:				
Buildings	381,000	-	-	381,000
Less Accumulated Depreciation For:				
Buildings	<u>(28,575)</u>	<u>(9,525)</u>	<u>-</u>	<u>(38,100)</u>
Governmental Activities Capital Assets (Net)	<u>352,425</u>	<u>(9,525)</u>	<u>-</u>	<u>342,900</u>

Depreciation expense was charged to functions of the District as follows:

General Fund	<u>9,525</u>
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**NOTE 6 - GENERAL LONG-TERM DEBT**

During 2000 the District obtained financing in the amount of \$210,000 from the State Community Impact Board for the purpose of providing funds to finance all or part of the cost of acquiring and constructing an exhibit hall at the Emery County Fairgrounds. Additional grant monies were also obtained from the Community Impact Board in the amount of \$139,000. The bond proceeds require yearly payments of \$21,000 with 0% interest over ten years starting September 1, 2002.

The following is a schedule of debt service charges to maturity:

	<u>Principal</u>
2006	21,000
2007	21,000
2008	21,000
2009	21,000
2010	21,000
2011	<u>21,000</u>
	<u>126,000</u>

**EMERY COUNTY RECREATION SPECIAL SERVICE DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2005**

**NOTE 6 - GENERAL LONG-TERM DEBT (CONTINUED)**

The following is a statement of changes in Long-Term Debt:

	Balance December 31, 2004	Additions	Deletions	Balance December 31, 2005
Mineral Lease Bond Series 2001	147,000	-	21,000	126,000

**NOTE 7 - RISK MANAGEMENT**

The Emery County Recreation Special Service District conducts recreational activities throughout the County. The District does own and insure a recreation building. However, most of the facilities are owned by Emery County and insured by the County. In 1998, the District obtained a Sports General Liability policy for \$2,000,000 to cover bodily injury, property damage, personal injury and advertising injury arising out of the operation or conduct of 'sports activities' as designated in the policy.

**NOTE 8 - RELATED PARTY TRANSACTIONS**

During the year the District expended \$5,850 in insurance and construction costs with board member, Mark Justice. These expenditures were made with the approval of the District's Board.

**NOTE 9 - PENSION PLAN**

**Local Governmental - Cost Sharing:**

**Plan Description:**

Emery County Recreation Special Service District contributes to the Local Governmental Noncontributory Retirement System cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that included financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

**EMERY COUNTY RECREATION SPECIAL SERVICE DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2005**

**NOTE 9 - PENSION PLAN (CONTINUED)**

**Funding Policy:**

The District is required to contribute a percent of covered salary to the following system; 11.09% to the Noncontributory System. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

The District contributions to the various systems for the years ending December 31, 2005, 2004 and 2003 respectively were; for the Noncontributory System, \$6,588.83, \$5,273.06 and \$4,663.12. The contributions were equal to the required contributions for each year.



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**REQUIRED SUPPLEMENTARY  
INFORMATION  
"UNAUDITED"**

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**EMERY COUNTY RECREATION SPECIAL SERVICE DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GOVERNMENTAL FUND**

**For The Year Ended December 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>Budgetary Fund Balance, January 1</b>	<u>70,474</u>	<u>70,474</u>	<u>70,474</u>	<u>-</u>
<b>Resources (Inflows):</b>				
<b>Intergovernmental:</b>				
State Mineral Lease	328,100	328,100	328,046	(54)
CIB Grant	79,800	79,800	79,763	(37)
Charges for Services	91,500	91,500	92,737	1,237
Interest Income	3,900	3,900	3,897	(3)
<b>Total Intergovernmental</b>	<u>503,300</u>	<u>503,300</u>	<u>504,443</u>	<u>1,143</u>
<b>Amounts Available for</b>				
<b>Appropriation</b>	<u>573,774</u>	<u>573,774</u>	<u>574,917</u>	<u>1,143</u>
<b>Charges to Appropriations (Outflows):</b>				
<b>Current:</b>				
Salaries and Wages	59,500	59,500	59,401	99
Employee Benefits	28,600	28,600	28,356	244
Administrative Expenses	11,200	11,200	11,113	87
Office Supplies	4,600	4,600	4,324	276
Supplies and Maintenance	21,700	21,700	21,524	176
Utilities	13,700	13,700	13,469	231
Professional Services	18,300	18,300	18,249	51
Insurance and Bonds	9,700	9,700	9,648	52
Pro Rodeo Expense	72,200	72,200	72,146	54
Miscellaneous	22,400	22,400	21,798	602
Contributions	46,400	46,400	46,370	30
County Project	42,800	42,800	41,891	909
Debt Service	21,000	21,000	21,000	-
Capital Outlay	104,100	104,100	104,046	54
Contribution to Fund Balance	<u>27,100</u>	<u>27,100</u>	<u>-</u>	<u>27,100</u>
<b>Total Charges to</b>				
<b>Appropriations</b>	<u>503,300</u>	<u>503,300</u>	<u>473,335</u>	<u>29,965</u>
<b>Budgetary Fund Balance, December 31</b>	<u>70,474</u>	<u>70,474</u>	<u>101,582</u>	<u>31,108</u>

**EMERY COUNTY RECREATION SPECIAL SERVICE DISTRICT**  
**NOTE A**  
**BUDGETARY COMPARISON SCHEDULE**  
**BUDGET-TO-GAAP RECONCILIATION**

**For The Year Ended December 31, 2005**

	<u>General Fund</u>
<b>Sources/Inflows and Resources:</b>	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedules.	574,917
<b>Differences - Budget to GAAP:</b>	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	<u>(70,474)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u><u>504,443</u></u>
<b>Uses/Outflows of Resources:</b>	
Actual amounts (budgetary Basis "total charges to appropriations" from the budgetary comparison schedules.	<u>473,335</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u><u>473,335</u></u>

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is used to assist in formatting, for easier reading)

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## **COMPLIANCE SECTION**

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# *Kimball & Roberts*

*Certified Public Accountants*

*A Professional Corporation*

*Box 663*

*Richfield, Utah 84701*

*Phone 896-6488*

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Board Members  
Emery County Recreation Special Service District  
Castle Dale, Utah 84513

We have audited the financial statements of the governmental activities of Emery County Recreation Special Service District, a component unit of Emery County, as and for the year ended December 31, 2005, which collectively comprise Emery County Recreation Special Service District's basic financial statements and have issued our report thereon dated May 22, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

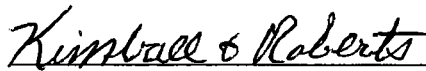
In planning and performing our audit, we considered Emery County Recreation Special Service District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Emery County Recreation Special Service District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The Honorable Board Members  
Emery County Recreation Special Service District  
Page -2-

This report is intended solely for the information and use of the audit committee, management, and board members and is not intended to be and should not be used by anyone other than these specified parties.



KIMBALL & ROBERTS, P. C.  
Certified Public Accountants

May 22, 2006  
Richfield, Utah

# *Kimball & Roberts*

*Certified Public Accountants*

*A Professional Corporation*

*Box 663*

*Richfield, Utah 84701*

*Phone 896-6488*

## AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

The Honorable Board Members  
Emery County Recreation Special Service District  
Castle Dale, Utah 84513

We have audited the accompanying financial statements of the governmental activities of Emery County Recreation Special Service District, a component unit of Emery County, for the year ended December 31, 2005, and have issued our report thereon dated May 22, 2006. As part of our audit, we have audited Emery County Recreation Special Service District's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching; level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended December 31, 2005. The District received the following major State assistance program from the State of Utah:

Mineral Lease (Department of Transportation)  
CIB Grant (Department of Community and Economic Development)

Our audit also included testwork on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt  
Cash Management  
Purchasing Requirements  
Budgetary Compliance  
Other Compliance Requirements

The management of Emery County Recreation Special Service District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.


We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.



The Honorable Board Members  
Emery County Recreation Special Service District  
Page -2-

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Emery County Recreation Special Service District, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance programs for the year ended December 31, 2005.

  
KIMBALL & ROBERTS, P. C.  
Certified Public Accountants

May 22, 2006  
Richfield, Utah